THE HISTORY OF BANKS

TALLIES, TEMPLAR WEALTH & T-BILLS

The charging of interest (usury) in ancient times carried extreme penalties.

The Renaissance is an example of one period in history when usury was all but extinguished.

Part 2

When the crusaders first left their homelands in Europe for the crusade to the Holy Land, they took with them almost the entire circulating supply of gold and silver coins. This left Western nations, England in particular, with no money.

In the year 1100 AD Henry I, fourth son of William the Conqueror, ascended the throne of England. Finding the treasury empty and his needs great, he cast about for a source of income. Having wise advisors he soon hit on a plan. His plan, with a few refinements, remained in effect for the next 726 years—and can be reinstated tomorrow. He issued 'tallies'.

A tally was a stick about nine inches or so long with each of the four sides about 1/2 inch wide. On two of the sides, the value of the 'tally' was carved into the wood. On the other two sides, the amount was printed in ink.

The tally was then split in half lengthwise. One half remained in the treasury and the other half was given to soldiers for their pay, to farmers for wheat, to armourers for armour, and to labourers for their labour.

At tax time, taxpayers were required to bring in one half of a tally to pay their taxes. Woe unto the man who did not have the required number of tally sticks. As a consequence, these intrinsically worthless sticks of wood were in great demand. Gold and silver coins were fine if you travelled abroad for a crusade or something, but at home if you did not have your tax tally at tax time—you were done.

Upon receipt of a tally the treasurer would immediately match the presented half with the half stored in the treasury. THEY HAD TO TALLY—which is what gave it the name. Counterfeiters lost their heads! Actually, it was practically impossible to counterfeit a tally. The wood grain had to match—the notches had to match—and the ink inscriptions had to match. This could only come about if both pieces came from the same split tally.

There you have it! An inexhaustible source of revenue for the government. The means were available to make tallies as long as there were trees. There was a demand as long as the government required the tallies for taxes. The system flourished as long as tax-evaders and counterfeiters were punished and they always were. For 726 years the system flourished.

INTEREST IN ENGLAND

Government 'tally' money and 'usury' money cannot exist side by side. Tally money makes usury money look bad because it stays constant, while usury money expands and contracts. The advent of usury money spelled the death of the tally.

The process started in 1694 when the Bank of England was chartered. This new type of interest-bank was permitted because of a promise made by the pretender to his financial backers before he became king, and before he had access to the privilege of issuing the potentially inexhaustible supply of wooden money. When the pretender became king, he kept his promise to his usurer bankers. The days of tally money were numbered.

At that time there were about 14 million pounds in tally money in circulation. In 1697 when the capital of the Bank of England was increased, 160,000 pounds of this new money was paid for with tally sticks. The irritation of having usury money and tally money circulating at the same time ended when Parliament abolished the use of tallies for taxes in 1783.

Circulation of tallies continued in the back country of England until 1826. In 1834 the treasury tallies were burned by allies of the Bank of England. The furnaces which heated the House of Lords were used. The fire blazed up and burned down both houses of Parliament.

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THE T-BILL

The government has the right to make money. It can do so whenever it chooses. In the United States the government has authorised its Treasury to create Treasury Bills. These bills are created out of thin air, but they are no less real than the wooden tallies of our ancestors.

The government doesn't need to borrow money from the banks of the Federal Reserve and have a debt of over a trillion dollars. It can make money instead. All it has to do is MAKE IT—T-Bill tallies in denominations of $1, $5, $10, $20, $50, $100, and $1,000. Then it can spend them for needed government services, and tax them out of circulation again. Our ancestors did it for almost three-fourths of a thousand years.

The reason it isn't done is that the trillion dollar debt pays interest. Tallies don't. If the debt were paid off with T-Bill tallies, someone would be deprived of over 100 billion dollars a year in interest! Where would bankers' profits and the politicians' campaign funds come from if this were stopped?

T-Bills are modern-day tallies. They are created money. They are not usury any more than a wooden tally was usury.

To get the Templars' gold, the Templars in 1307 were charged with heresy by Pope Clement V, a French pope. Templar leaders were seized and imprisoned... Their property was confiscated. The cash went into the empty coffers of King Philip of France. Their lands were seized by the Catholic Church.

The tally sticks were a wonderful invention. They were freely accepted—in England. The king of England, however, had to have gold or silver to do business in France. A Frenchman or Italian wasn't thinking about taking an English 'wooden tally' in exchange for his goods. They required 'hard money', the very thing that had left the country to pay for the crusades. The frugal Englishman who owned precious coins kept them.

In an attempt to solve this problem King William (Rufus) in 1087 opened the doors of England to the Jews under the condition that they lend at 'interest', a thing forbidden to native Christians, and that, further, the king get half the profit. Every effort was to be made to obtain the needed gold and silver in payment for loans instead of wooden tallies.

1096 AD—FIRST CRUSADE

The Jews became the king's valued unofficial tax collectors. As fast as their usury brought a debtor into bankruptcy, the king got his share.

Other conditions found their way into the relationship between the king and the Jews. Whenever a Jew was converted or died, his estate escheated to the king. The Jews could only live in the town which contained an Archa', an office in which every transaction with the Christians was recorded by government agents to make sure the king got his cut. In practice this worked the same way as it had in every other country. Ten pounds lent at 20% would require repayment of 20 pounds in a little more than four years.

10	pounds borrowed
12	owed at end of 1st year at 20%
14.4	owed at end of 2nd year
17.28	owed at end of 3rd year
20.74	owed at end of 4th year

If the loan were due in 'tallies', there was some slight chance that it would be paid. If it were due in gold or silver, there was virtually no chance that the loan would be paid since almost all gold and silver had vanished from England. The debtor lost all. The king chuckled with glee as he got half. The debtor's choice was then to rot in debtors' prison or put himself into indentured slavery for seven years to work off his debt. The Jews were estimated to have owned one-fourth of England, a never-ending source of wealth to the king who made money on every transaction or whenever a Jew was 'converted' or died, in which case his entire estate went to the crown.

In England the main irritant with the Jew was usury, the thing that caused problems from the first. It was the system he practised. The people learned to hate the Jew because the Jew meant slavery—economic slavery.

The feeling against Jews had risen so high that in 1218 Stephen Langton, Archbishop of Canterbury, required them to wear an oblong white badge so that Englishmen would know who they were and what they did.

In 1269 they were prohibited from hiring Christian helpers while working as artisans, merchants, or farmers since the Law states:

"Thou mayest not set a stranger (*zûwr*) over thee, which is not thy brother." (*Deuteronomy*, 17:15.)

The Church added its own prohibitions forbidding Christians to work for Jews, and, with promptings from the pope in Rome, the Jews were also prohibited from taking interest. If they could not take interest, their usefulness to the king was destroyed.

On July 18, 1290, the Jews were deported from England; 16,000 left. This handful was all there were. This deportation was forced on the king by a combination of religious authorities and nobles, with the wholehearted support of English freemen. Since the king was in debt to the Jews, an agreement was worked out so that they were allowed to carry away portable property such as British money and silver and gold art objects that they had accumulated. In exchange, the king received houses, lands, and castles obtained by their usury contracts. All these escheated to the king. Once more, England was stripped of her floating supply of gold and silver.

TEMPLAR WEALTH

As mentioned before, many devout Christians left their estates to the Templars in their wills. In every country in the West, from Denmark to Ireland, from Spain to France, local Templar organisations over the years accumulated wealth. Their skill at arms made them the natural traders of the day and their honesty made them trusted bankers.

A merchant in England might ask the Templars to transfer a certain amount in gold to Paris to cover a business deal. A Templar courier would take a 'gold deposit receipt' to the Paris temple. This piece of paper allowed the merchant's Paris business contact to collect the agreed upon amount of gold. Sometimes he did collect—sometimes he only collected the paper 'gold deposit receipt'—which was as good as gold. He could use this paper receipt as paper money if he chose. Merchants anywhere would accept it. Any settling up by actual transfer of gold between the London and Paris Templar temples could be done at a later date. Interest-free loans were made to kings and merchants, and trade was largely in their hands. The Templars were the wealthiest organisation in existence in every country. This wealth was the reason for the Templars' downfall.

TEMPLARS DESTROYED

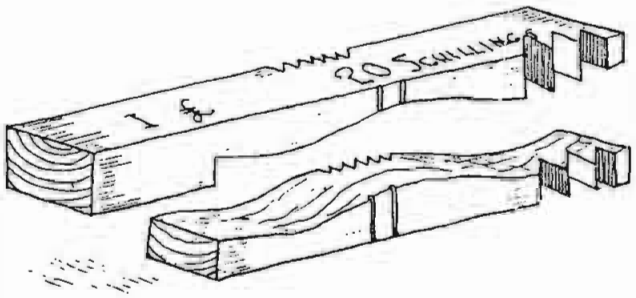
The people of France forced their king to expel the Jews in 1306, just 16 years after they had been expelled from England. As in England, the French king was in debt to the Jews and was

their 'servant'. Consequently, the same sort of agreement was worked out as in England earlier. They were allowed to take almost the entire floating supply of coins with them in exchange for their extensive property holdings.

This made the king a gigantic property holder but left France with little money with which to honour foreign commitments. What was left of the remaining supply of gold and silver money was in the hands of the Templars.

To get the Templars' gold, the Templars in 1307 were charged with heresy by Pope Clement V, a French pope. Templar leaders were seized and imprisoned. Their property was confiscated. The cash went into the empty coffers of King Philip of France. Their lands were seized by the Catholic Church. In every Christian country the word went out to seize Templar wealth.

It was in this way—without being convicted or even heard—the noblest of the Christian orders was extinguished. Noble knights bearing scars of a score of battles with the infidel in the Holy Land begged bread or hid in the forest. Those who gave to these unfortunate men were excommunicated. The Grand Master, Jacques de Moley, was burned at the stake.



TALLY STICK

In recent years there have come certain detractors who accuse this organisation of taking 'interest'. One of the best replies to this charge is found in Thomas Parker's book *Knight Templar In England*, p. 71:

"...had there been any grounds at all for a belief that the Templars engaged in usurious activities, such a charge would surely have been included in the indictment drawn up against them at the time of their arrest and trial."

The lesson to be gained from this tragic occurrence is that to survive, it is not enough to have a noble cause and to be pure and righteous. If you are wealthy while the government is poor, the government will find a way to take your wealth. In the process of seizing your wealth, they may also liquidate you to prevent future claims.

The problems associated with the violation of our common law descend to the present day. The priestly tribe of Levi was to receive no land but was to live on the tithe from the other tribes of Israel. Even though their motives were good, the wealth accumulated by the Knights Templar priesthood was in violation of this rule and aroused the jealousy of powerful enemies. The accumulation of wealth by this priestly organisation caused their destruction.

The great wealth in land and gold accumulated by the Roman Catholic Church through the centuries has constantly brought it also into conflict with national governments, and has caused its destruction in many lands.

In England, the Queen is head of the Anglican Church. Much of her wealth was confiscated from the Catholic Church. This has been a never-ending source of irritation to her subjects. Her opponents maintain that if she is to be "of Levi", she should obey the rules of Levi. If she is to be "of herself", she should abdicate as head of the Anglican Church and be "of herself". There is no 'grace' without 'repentance'. The 'Law' applies to everyone—especially 'the king'.

CANON LAW ON USURY

In early days all Christians belonged to the Catholic Church. The Catholic Church had many rulings on the subject of usury. These rulings were incorporated into canon law. The laws started with the Bible, were added to by laws of ancient Rome, added to again by the Orthodox Church of the Eastern Roman Empire at Constantinople, and were improved upon extensively during the 1100s, 1200s, and 1300s, when some of the finest ecclesiastical thinking took place.

At that time there were two types of courts. Civil courts tried civil cases. Ecclesiastical courts tried offences against divine law such as crimes of heresy, sacrilege, adultery, perjury, and usury. Usury was considered a violation of scripture, against the natural law, and therefore against God Himself. It was forbidden by both the divine and canon law.

Prohibitions against usury were not only directed against those who took usury, but against their families, those who refused to denounce them, and those who had any part in drawing up contracts whether or not they were lawyers, notaries, or judges. Penalties were directed against those who rented houses to usurers, which allowed them to pursue their trade, and the rulers who allowed them to reside within their territories. This included priests who did not enforce the Church's edicts against these offences. A priest was not allowed to receive their offerings. The old excuse that "the money has committed no sin" would not stand in an ecclesiastical court. If a usurer brought offerings to a church and disappeared, the church was required to restore the money to the victims from whom the usurer had exacted the money.

In 1179, the Third Lateran Council laid down the three prime penalties for manifest usurers:

1) They were deprived of Communion.
2) Their offerings were refused.
3) They were denied Christian burial.

This law was interpreted to mean that the offender was not even to set foot in church during divine services. Pope Alexander III stated that if the usurer did not cease his activities he was to be excommunicated and cut off from all intercourse with other Christians.

In 1212, the Council of Paris decreed that the property of a usurer was to be confiscated by the king upon the usurer's death and distributed to the poor. The usurer was denied the right to will anything to his own family since the fruits of a robbery were not to be the object of a gift. Once the charge of usury had been established, the ecclesiastics must undertake to make restitution to those who had been defrauded. Servants must leave the employ of a usurer or suffer the same penalty as their master. This same council declared automatically excommunicated any minister who granted Christian burial or accepted offerings from these outcasts.

The Council of Lyon in 1274 stated that if a stranger who was a foreigner was accused for one month and had not been removed from the territory, the whole territory fell under an interdict.

A wife of a usurer had no right to anything that he might give her. It was considered better that she leave him and beg bread than for her to receive support from her husband. After being excommunicated for one month, the sacraments were to be refused to his wife and family if they remained with him. All the faithful must within a month denounce a creditor or face excommunication. A cemetery where a usurer was buried was placed under an

interdict and no one was allowed to enter until the body of the offender was removed and disposed of elsewhere.

Lawyers were not only forbidden to draw up usurious contracts, but they were also forbidden to defend usurers. Clement V at the Council of Vienna in 1311 and 1312 declared that any public official, whoever he was and whatever rank he held, was to be excommunicated if he had anything to do with drawing up a law compelling debtors to pay usury, or denying them the right to recover usury. Any such law drawn up was decreed to have no force since it was in violation of the law of God.

The Council of Vienna affirmed the law that those who proclaimed that usury was not sinful were to be punished as heretics. The decree was not only against usurers, but against anyone who encouraged the practice of usury by stating that it was not a sin against God.

The basic Church teaching was that anyone who paid usury could seek restitution. Borrowers could always demand the return of usury. Not only is the usury not owed, but the usurer could not receive or keep it without committing sin.

The most interesting thing about these opinions is that the Church forbade usury simply because it was forbidden by the Bible.[2] So far as I have been able to ascertain, there was no real understanding of the economic benefits that accrue to a society that is free from the usury contract—such as the absence of wild economic booms and devastating collapses, bankruptcies, and unemployment. It does show the spiritual maturity of our grandfathers who, without knowing the reason for prohibition of usury, still enforced the divine law of God—and profited mightily in doing so. Usury almost completely disappeared from the Christian West.

The wife of a usurer had no right to anything that he might give her. It was considered better that she leave him and beg bread than for her to receive support from her husband.

THE RENAISSANCE

The universal prohibition of interest unleashed the mighty Western Renaissance. Usury had acted as a rope which had been strangling the West. As soon as it was banned, the West broke forth into a flowering which could not have been imagined earlier. Italian merchants became wealthy enough to travel to China with their goods. Spanish and Portuguese explorers were financed and uncovered continents with which to trade. Money for the development of inventions became available. The Michelangelos, Rembrandts, Shakespeares, and Newtons were supported by the growing wealth of the West, and they did their thing—and made it profitable. This was an era free of interest!

Tallies were a very important part of the economic system of the Middle Ages. Anyone who had the power could issue them. The Hanseatic League was a confederation made up of scores of independent German cities. They had the power to issue tallies and they did. So did virtually every county and large city in Europe.

The hard pocket money was gold and silver coins. Many of these coins were in poor condition, being worn, clipped, and some counterfeited. This seemed to make as little difference then as it did in Roman days. People cheerfully accepted them in payment for goods and services. Why not? The government accepted a clipped coin as readily as a full-weight coin for taxes. Not so the foreign merchants. When they made a transaction, they wanted payment in full-weight gold coins. Thus we have two kinds of coins—'discount coins' for the citizens and 'trade coins' for the merchants.

Paper money of large denomination was simply a gold deposit receipt. A bank had, in the manner of the Templars, taken in a store of gold and issued a paper to that effect. The paper bore the stamp and guarantee of the bank. The gold belonged to whoever presented the paper. Few people will carry around five pounds of silver coins or two pounds of gold coins in their pocket when a piece of paper which is light and portable will serve the same purpose. Of course, the peasants always wanted their one or two coins in hand instead of a piece of paper. They still do. Since 'interest' was not present, there was no compelling reason to issue more 'gold certificates' than there was gold reserve. It was to everyone's advantage to keep the system honest.

In addition to gold deposit receipts there were other kinds of large denomination money. It might take the form of a deed to a house, a business, a ship or some other sort of debt-free equity which had an accepted value in the market place. To make this 'paper money' more readily acceptable, it was often guaranteed by a bank that had investigated and found that this boat or that house was indeed worth so much money on a certain day and, in public recognition of that fact, attached their seal for a small fee. This deed was used as paper money and had worth. It was not a mere 'promise to pay'.

BUYING JOINT VENTURE

If a man wanted to buy a boat to go into the fishing business and didn't have the necessary money but had a good deal of experience, chances are he could work out a deal. He would go to a bank and ask for money, say 500 pounds. Upon establishing the fact that he had 20 years' experience, the bankers might risk some of their investors' money with him. The bank would buy the boat and hire him as captain with a salary. At the end of the first year he could be given the option to buy 10% of the business. If he took up the option he would then own 10% of the business and get 10% of the profits. The bank would get 90% for their investors. The second year he might buy another 10%. He would then own 20% of the business and get 20% of the profits. If the bank thought he was doing a poor job, they might fire him and hire another captain. He would still get 20% of the profits since he owned 20% of the boat. If the boat sank, insurance covered it. The bank got a fee for its services. That's all. Not a large fee either.

Another way to handle the same boat contract was on a 'rental' basis. The bank's investors would buy the boat and 'rent' it to the buyer. The buyer kept all the profits and paid rent to investors. There might be an option to 'buy' the boat.

The type of contract which could be drawn was limited only by the imagination. One thing—it had to be fair! No one will go into a contract which doesn't seem fair to both sides—especially if the deal is being watched by the Christian community.

In the way illustrated above, in ten years the buyer could own his own ship without having to put up any money of his own. Of course, the ten-year contract is given only as illustration. Practically there were no such contracts that went past seven years.

"At the end of every seven years thou shall make a release (cancellation of debts). And this is the manner of the release: Every creditor that lendeth ought unto his neighbour shall release it (cancel the debt); he shall not exact it of his neighbour, or of his brother, because it is called the Lord's release. Of a foreigner (Heb.: *zûwr*—"racial alien") thou mayest exact it again but that which is thine with thy brother thine hand shall release." (*Deut.*: 15:1-3.)

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THE HOUSE BUYER

If a man wanted to buy a house, the same sort of business arrangement could be made. He might have 10 pounds of his own for a down payment. He would go to the bank and ask for a loan for the balance. The bank would send out an appraiser to find out if the house was really worth the discussed purchase price of perhaps 100 pounds. If it was, a deal could be struck. The man by putting up his 10 pounds might own 10% of the house and the bank 90% by putting up 90 pounds.

The buyer also paid rent. He received 10% of his own rent because he owned 10% of the house and the bank received 90%. The next year he bought another 10%, and owned 20%. He then received 20% of the rent. The bank owned 80% and received 80% of the rent. Each year the bank allowed him to buy more of the house. In time he owned it all. If he failed to pay the rent, he was evicted and another renter/buyer installed. He still received 20% of the rent because he owned 20% of the house. Being kicked out did not deprive him of what was already his.

Of course, the contract might specify that any new buyer/renter could have the option to buy his 20% share also. What is fair or not fair is much easier determined when one does not have wild market swings brought about by interest-caused inflation or deflation, i.e., the house being worth 100 pounds this year, 200 the next year, and dropping to 50 the year after. In that day they had nothing comparable to the booms and busts that are the rule today. It is said that the price of bread remained the same for four centuries in the Hanseatic League.

In a no-interest contract there is always risk for both partners. If the risk factor is all on one side, the Church determined whether it was a usury or non-usury contract. The usury contract makes one side risk-free and eventually ruins the borrower as it was designed to do. The no-interest contract shares the risk. Both parties rise or fall together. This is one of the oldest rules of canon law in determining whether or not a contract was a usury contract—"equal risk".

1. *The Jewish Encyclopaedia*, England, p.165.
2. *Medieval Studies*, Vol. I, 1939, Vol. II, 1940, Pontifical Institute of Medieval Studies, Toronto, Canada. ∞

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